

ENVIRONMENTAL QUALITY

CHAPTER 85

ALTERNATIVE ENERGY REVOLVING LOAN PROGRAM

Sub-Chapter 1

Alternative Energy Revolving Loan Program

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Sub-Chapter 1

Alternative Energy Revolving Loan Program

17.85.101 POLICY AND PURPOSE OF RULES (1) Title 75, chapter 25, part 1, MCA, establishes a revolving loan program administered by the department for the purpose of increasing the number of alternative energy systems installed in Montana homes and small businesses that generate energy for their own use, either off-grid or grid-connected. This subchapter provides criteria and guidelines to aid the department in implementing the law, defines eligibility criteria, identifies the processes and procedures for disbursing loans, and prescribes the terms and conditions for making loans, including repayment schedules and interest. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

Rule 17.85.102 reserved

17.85.103 DEFINITIONS Unless the context requires otherwise, as used in this subchapter:

(1) "Act" means the alternative energy revolving loan statutes set out in Title 75, chapter 25, part 1, MCA.

(2) "Alternative energy system", as defined in 15-32-102, MCA, means the generation system or equipment used to convert energy sources into usable sources using fuel cells that do not require hydrocarbon fuel, geothermal systems, low emission wood or biomass, wind, photovoltaics, geothermal, small hydropower plants under one megawatt, and other recognized nonfossil forms of energy generation.

(3) "Customer-generator", as defined in 69-8-103, MCA, means a user of a net metering system.

(4) "Department" means the Montana department of environmental quality established by 2-15-3501, MCA.

(5) "Geothermal system" means a system that transfers energy either from the ground, by way of a closed loop, or from ground water, by way of an open loop, for the purpose of heating or cooling a residential building or small business.

(6) "Low emission wood or biomass combustion device", as defined in 15-32-102, MCA, means a noncatalytic stove or furnace that:

(a) is specifically designed to burn wood pellets or other nonfossil biomass pellets; and

(i) has a particulate emission rate of less than 4.1 grams per hour when tested in conformance with the standard method for measuring the emissions and efficiencies of residential wood stoves, as adopted by the department pursuant to 15-32-203, MCA; or

(ii) has an air-to-fuel ratio of 35 to 1 or greater when tested in conformance with the standard method for measuring the air-to-fuel ratio and minimum achievable burn rates for wood-fired appliances, as adopted by the department pursuant to 15-32-203, MCA; or

(b) burns wood or other nonfossil biomass and has a particulate emission rate of less than 4.1 grams per hour when tested in conformance with the standard method for measuring the emissions and efficiencies of residential wood stoves, as adopted by the department pursuant to 15-32-203, MCA.

(7) "Net metering", as defined in 69-8-103, MCA, means measuring the difference between the electricity distributed to and the electricity generated by a customer-generator that is fed back to the distribution system during the applicable billing period.

(8) "Net metering system", as defined in 69-8-103, MCA, means a facility for the production of electrical energy that:

(a) uses as its fuel solar, wind, or hydropower;

(b) has a generating capacity of not more than 50 kilowatts;

(c) is located on the customer-generator's premises;

(d) operates in parallel with the distribution services provider's distribution facilities; and

(e) is intended primarily to offset part or all of the customer-generator's requirements for electricity.

(8) "Recognized nonfossil forms of energy generation", as defined in 15-32-102, MCA, means:

(a) a system that captures energy or converts energy sources into usable sources, including electricity, by using:

(i) solar energy, including passive solar systems;

(ii) wind;

(iii) solid waste;

(iv) the decomposition of organic wastes;

(v) geothermal;

(vi) fuel cells that do not require hydrocarbon fuel; or

(vii) an alternative energy system;

(b) a system that produces electric power from biomass or solid wood wastes; or

(c) a small system that uses water power by means of an impoundment that is not over 20 acres in surface area.

(History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

Rule 17.85.104 reserved

ALTERNATIVE ENERGY REVOLVING LOAN PROGRAM 17.85.107

17.85.105 ELIGIBLE PROJECTS (1) The department shall fund projects that the department determines will best enable the state to meet the legislative mandate to reduce reliance on nonrenewable energy sources.

(2) To be eligible for funding, a project or portion of a project must be:

- (a) conducted within Montana;
- (b) technically appropriate for Montana's climate and available generation resources; and
- (c) directly related to the construction or installation of alternative energy systems that generate energy through proven methodology for the sole use of the customer-generator or for net metering in a residence or small business.

(3) Projects designed to produce electricity for sale to third persons are not eligible for funding. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.106 ELIGIBLE APPLICANTS (1) Any person may apply for a loan to fund a project under the Act and these rules, except for the following and their immediate families:

- (a) department employees whose duties are related to conservation or alternative energy; and
- (b) department contractors working on conservation or alternative energy projects. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.107 SIZE OF AWARDS (1) The maximum amount of money that the department may loan for a single project or applicant is \$10,000.

(2) The minimum amount of money that the department may loan for a single project or applicant is \$2,000. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

Rules 17.85.108 and 17.85.109 reserved

17.85.110 APPLICATION PROCEDURE (1) An applicant shall submit an application on forms prescribed and made available by the department. An applicant shall submit two copies of the application to the department at the time of filing, and shall provide additional copies as requested by the department.

(2) An applicant shall submit additional or supplemental material as requested by the department.

(3) An applicant may revise an application after the application is formally filed, but before the department issues a decision on the application by submitting a revision to the department in writing. A substantial revision to an application constitutes a new application.

(4) The department may accept applications at any time. The department shall evaluate applications for funding each time funds are available, up to one year from the date of application filing. An applicant may resubmit a proposal following the one-year evaluation period. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.111 APPLICATION EVALUATION PROCEDURE (1) The department shall review each application to determine whether it includes information necessary to begin the evaluation process. If the department determines that an application is not substantially complete, the application shall be considered deficient and the department shall return the application to the applicant within 30 days after receipt by the department. The department shall list the application deficiencies in writing. An applicant may re-submit after correcting all identified deficiencies.

(2) For each loan application that meets the eligibility criteria in ARM 17.85.105 and 17.85.106, the department shall evaluate the application independently of other applications and determine whether the application meets the following technical criteria:

(a) equipment must be proven reliable and be commercially available;

(b) equipment and installation must meet all applicable certifications and standards, such as local building codes and utility interconnection requirements; and

(c) systems must use an alternative energy source.

(3) Applications that meet the criteria in (2) will be sent to the department's contracted financial institution for credit approval. The financial institution shall evaluate the credit-worthiness of applicants and shall advise the department whether to approve or deny credit. The financial evaluation must be consistent with the standard practices of financial institutions considering the type, size, risk, and complexity of the loan requested and the type of applicant.

(4) After approval by the financial institution, the department shall prioritize applications based on the following criteria, which are not necessarily listed in the order of priority:

- (a) the amount of energy produced;
- (b) the diversity of technology in the portfolio;
- (c) investment/return ratio; and
- (d) the use of a process, a system, or equipment generally available in Montana.

(5) The department shall award loans in the priority established in (4), subject to the availability of funds.

(6) If the department approves an application pursuant to these rules, the department shall indicate its decision to participate in a loan by executing a servicing agreement. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.112 ENVIRONMENTAL REVIEW AND COMPLIANCE WITH APPLICABLE STATE LAW

(1) The applicant shall provide information about the project, as requested on the application form, in order to allow the department to review the proposed project for compliance with state law. Prior to executing a servicing agreement under ARM 17.85.111, the department shall review each application under ARM Title 17, chapter 4, subchapter 6 to determine if the department's approval of a loan for the project may result in significant effects to the quality of the human environment.

(2) The proposed project or activity must comply with applicable statutory and regulatory requirements protecting the quality of resources such as air, water, land, fish, wildlife and recreational opportunities. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.113 APPLICATIONS AND RESULTS PUBLIC

(1) Applications and reports submitted to the department pursuant to this subchapter may be made public, except in cases in which the demand of individual privacy clearly exceeds the merits of public disclosure. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.114 LOAN CONDITIONS (1) The maximum term for loans is five years.

(2) Loans made under the Act and these rules must be used only for the purposes described in the loan application. Loan projects must be implemented within the time specified in the loan documents unless the department grants a written extension.

(3) The applicant shall financially qualify for the loan based on the credit scoring guidelines adopted by the department's contracted financial institution.

(4) The department shall charge a fixed interest rate that may be set to cover administrative costs, but shall not be less than one percent. The department shall review the interest rate annually. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

17.85.115 REPORTS AND ACCOUNTING (1) During the construction/installation phase of the loan project, the department may require the loan recipient to provide oral or written progress reports.

(2) Upon completion of construction or installation, loan recipients shall provide the department with an accounting of loan expenditures.

(3) Loan recipients shall submit annual reports to the department during the term of their loan on a form provided by the department. Reports must estimate the amount of energy produced by the installed system during the year, provide information about system and component reliability, and provide all financial information required by the department's financial contractor.

(4) Loan recipients shall maintain records, documents, and other information relating to the loan project and shall maintain records sufficient to account for all funds received and expended pursuant to their loan. All records, reports, and other documents that relate to the project are subject to audit by the office of the legislative auditor, the department, and where required by law, the legislative fiscal analyst. (History: 75-25-102, MCA; IMP, 75-25-102, MCA; NEW, 2003 MAR p. 233, Eff. 2/14/03.)

